The Theory of Business Enterprise. THORSTEIN VEBLEN, Assistant Professor of Political Economy in the University of Chicago. New York, Charles Scribner's Sons. 1904. Pp. vii + 400.

Those who read and enjoyed Professor Veblen's extremely acute, subtle and brilliant *Theory of the Leisure Class* will bring a keen appetite to the analysis of current business processes and psychology which is given in the present volume. Nor will they be disappointed. There is the same cool, scientific dissection of current processes, standards and ideals, which, by its very attitude of unimpassioned, relentless laying bare of sources and springs of action, is more effective than the most passionate sarcasm or invective. There is the same ability to coin a phrase, or use a word in a new application, which shall carry a whole chapter within itself, and become, in the reader's mind, a perpetual challenge to a principle, institution or whole series of conventions. There is the same combination of wealth of concrete material with psychological analysis and philosophical method; the same exploration of economic, social and cultural fields with a given principle. Finally, there is, I venture to think, a similar tendency to simplify the complex springs of human action more than is warranted by an impartial interpretation of the facts. The former volume has not as yet received the attention from psychologists which it deserves, and the title of the present volume would not suggest the large amount of social psychology which it contains. This psychology appears first in the account of business itself, its aims, its assumptions, its prosperity or depression; secondly, in the account of the industrial processes; and thirdly, in tracing the respective influence of these two forms of occupation upon the minds of those who follow them, and upon the broader cultural spheres, economic, political, educational, domestic and religious.

The psychological aspect of the book is not limited to details. It is shown in the effort to state business processes in the terms and shapes in which they are actually conceived by business men. Money, for example, is not for modern business the 'medium of exchange,' as is usually held by those who speak of business traffic 'as a means of obtaining goods suitable for consumption, the end of all purchase and sale being consumable goods, not money values. This latter "may be true in some profound philosophical sense, looking at the process of economic life as a whole, and taking it in its rationalized bearing as a collective endeavor to purvey goods and services for the needs of collective humanity. Such is the view of this matter given by the rationalistic, normalizing speculations of the eighteenth-century

philosophers; and such is, in substance, the view spoken for, in substance, by those economists who still consistently remain at the standpoint of the eighteenth century. The contention need neither be defended nor refuted here, since it does not seriously touch the facts of modern business. Within the range of business transactions this ulterior end does not necessarily come into view, at least not as a motive that guides the transactions from day to day. The matter is not so conceived in business transactions, it does not so appear on the face of the negotiable instruments, it is not by this manner that the money unit enters into the ruling habits of thought of business men" (p. 83).

Again, in current economic theory the business man himself is spoken of as an 'entrepreneur,' and "his function is held to be the coördinating of industrial processes with a view to economics of production and heightened serviceability. The soundness of this view need not be questioned. It has a great sentimental value, and is useful in many ways." Business men, especially the less successful, are to some extent influenced by ideals of serviceability or instincts for workmanship; 'excessive sensitiveness' may interfere with certain kinds of business; the business strategist may be so infected with human infirmity as not to exact the last concession from his rivals which a ruthless business strategy might entitle him to; but 'the motive of business is pecuniary gain,' motives of this kind (serviceability, workmanship) detract from business efficiency, and the captains of the first class are relatively exempt from these unbusiness-like scruples (pp. 41–43).

One of the most interesting phases of the part assigned by the author to psychological processes in business is found in Chapter VII. in the explanation proposed for the periods of business depression. Current theories usually explain these in terms of the producing or consuming process. But as, under present conditions, it is business which directs industry and not *vice versa*, the cause for depression should be sought in business itself. This cause is found by the author in the constantly progressive efficiency of the industrial process which necessarily tends to cheaper productions and lower prices. Now the business man regards money as a stable unit, and hence a constant lowering of prices, with the attendant re-rating and reduction of his capital, appears to him as a loss in value, an impoverishment, even if it carries no reduced command over material goods. A business man's rating and consequently his self-respect is based rather on the pecuniary magnitude of his holdings than on the mechanical service-

ability of his establishment or his output. "The explanation here offered of depression makes it a malady of the affections. The discrepancy which discourages business men is a discrepancy between that nominal capitalization which they have set their hearts upon through habituation in the immediate past and that actual capitalizable value of their property which its current earning capacity will warrant. But where the preconceptions of the business men engaged have, as commonly happen, in great part been fixed and legalized in the form of interest-bearing securities, this malady of the affections becomes extremely difficult to remedy, even though it be true that these legalized affections, preconceptions, or what not, center upon the metaphysical stability of the money unit."

Similar psychological rendering is given to ethical and legal conceptions. 'Principles' are defined as 'habits of thought' and 'business' principles accordingly mean habits of thought suitable to the work of business traffic, corollaries under the main principle of ownership. This principle of ownership or property is a 'habit of thought,' recent as compared with some; 'those who are inclined to give it a more substantial character than that of a habit' are characterized as 'those who still adhere to the doctrine of natural rights with something of the eighteenth century naïveté' (Ch. IV.). Parenthetically it may be observed that Professor Veblen never suggests that there can possibly be any other (*e. g.*, social welfare) basis for the 'right' of property, and it must be admitted that his exhibition of the almost absolute lack of any relation between the pecuniary returns of the more highly organized and successful business operations on the one hand, and any serviceability to the public on the other, would seem to offer small ground for such a basis of rights as applied to these particular fortunes, although the utility of admitting the institution would not necessarily be disproved thereby. So 'snobbery' in psychological terms is 'used without disrespect to denote the element of strain involved, in the quest of gentility on the part of persons whose accustomed social standing is less high or less authentic than their aspirations.'

Coming to the direct doctrine of the book, we have, as already suggested, analyses of the business, and of the industrial or machine process, and a statement of their respective tendencies of influence. Business is the director of the machine process, and the two have radically different effects upon those engaged in them. The machine process with its standardization of goods, tools, work and units of every sort makes the mechanic 'do his work as a factor in a mechanical process whose movement controls his motions.' "The machine is not

his to do with as his fancy may suggest. His place is to take thought of the machine and its work in terms given him by the process that is going forward." "If he fails of the precise measure by more or less, the exigencies of the process check the aberration and drive home the absolute need of conformity. There results a standardization of the workman's intellectual life in terms of mechanical process." "But mechanical efficiency is a matter of precisely adjusted cause and effect. The discipline of the machine inculcates therefore a tendency to think in these terms and these only. As the machine is impersonal, immoral, and knows no ethical or spiritual principles, its tendency is to train those whom it controls into insensibility toward all such concepts. Hence the tendency of the artisans in the distinctly machine occupations to adopt socialism with its ignoring of the conventions of property, family (here the headship of the male, now exhibited chiefly in his 'pecuniary discretion' over the family funds, is 'in jeopardy'), religion, and politics.

Business, on the other hand, as it is concerned with the institution (habit of thought) of ownership or property has a conventional basis. The logic of pecuniary thinking is a working out of the implications of this postulate of ownership. The argument is an argument *de jure*, not *de facto*. [But does not this apply rather to the legal justifications of business, than to the actual processes of discovering means for attaining wealth?] The spiritual attitude given by this training in reasoning *de jure*, is necessarily conservative. The reasoning assumes the validity of the conventionally established postulates. Business classes, therefore, like those engaged in occupations where the thinking moves on a plane of still older conventions — soldiers, politicians, the clergy, and men of fashion — are conservative.

We have, therefore, the following interesting problem: the whole industrial system, on the manipulation of which business depends for its continued existence, fosters a habit of mind which tends to destroy the fundamental postulate of business, viz., the conventions of which property is chief. Business cannot do without the machine process; but neither could survive in company with this process if the full logical results of the process should work out.

A typical expression of this antithesis is found in the legal conflicts between workmen and employers. Decisions of the higher courts more uniformly favor the employers than do the verdicts of jurors. The higher courts decide more strictly in accord with the law, which in turn embodies the common sense of the past, in this case, of the eighteenth century; 'whereas the sympathies of the vul-

gar, as they appear in jury decisions, are largely the outcome of those modern experiences that are at increasing variance with the foundations of the common law' (p. 281).

Trade-unionism is a sort of half-way house in certain respects. It is at variance with the natural-rights foundation of the common law. It 'denies individual freedom of contract to the workman, as well as free discretion to the employer to carry on his business as may suit his own ends'; on the other hand, it does not usually oppose overtly the institution of property. Nevertheless, as the workmen's exigencies are entirely extra-legal (since the law does not recognize any such facts as a standard of livelihood or comfort), so 'the revision of the scheme aimed at by trade-union action runs, not in terms of natural liberty, individual property rights, individual discretion, but in terms of standardized livelihood and mechanical necessity; it is formulated, not in terms of business expediency, but in terms of industrial technological standard units and standard relations.'

The query arises in connection with the above, as to whether the attitude of socialism, or the less extreme position of trade-unionism, is so solely mechanical and matter-of-fact. Is there not a certain demand for fairness, and at the same time a consideration of the general welfare? Is there not a feeling of solidarity, fostered by the organization of machine industry, which is as truly a factor in the workman's attitude as is the materialism induced by the technique of the machine process? The unions, at least, have shown no lack of 'ideals,' although it may be granted that their ideals are not those of 'natural rights.' Indeed, what is the higher standard of livelihood, comfort and intelligence which the unions seek but idealism? The machine is doubtless opposed to conventions and aristocracies, but by increasing the social interaction through the massing of skilled workmen it sets up a new social force which is as favorable to democratic and social ideals as the older isolation (still continued in rural occupations) was to individualism. The psychologist who was looking for analogies might in truth find them in plenty between the unions and the primitive kinship or patriotic groups. There is a similar 'loyalty,' a similar regard for rights of fellow-members and disregard of claims of outsiders, a similar justification of force.

While the insufficient attention given to the social forces leaves a sense of undue simplicity and abstractness in the book viewed as a complete psychology of the business and industrial process, it must be regarded as a highly important contribution to social psychology. The theory of business enterprise is getting before the general public in

various interesting forms, but to the scientifically inclined none of them can compare in interest with Professor Veblen's analysis.

J. H. T.

Ethik als Kulturphilosophie. PAUL BERGEMANN. Leipzig, Hofmann, 1904. Pp. 639.

Chapter I. is the part of this work which is of interest here, as it deals with the evolution of ethical facts. The first section of the chapter treats the primitive conditions of early society, the 'matriarchate' [an unfortunate term; it is generally recognized to-day that while kinship was in early times reckoned through the mother, the power was always in the hands of the men of the clan], and the rise and differentiation of morality in relation to law and custom. Section 2 treats the development of ethical facts in patriarchal society.

The author recognizes frankly the differences in detail which exist in ethical judgments and announces that he proposes to examine German ethics only. He nevertheless draws largely on the studies of other races for the supposed prehistoric German Society. His method is on the one hand to start with certain virtues (*e. g.*, courage, hospitality and sex-purity, mentioned by Tacitus) and to seek the causes for their emergence; and on the other hand to reason deductively from the conditions of clan and of patriarchal society what virtues might be expected to be generated. The difficulty which confronts the ethical student is that there are still many points as to primitive society which are not sufficiently settled to admit of such use as the author makes. This is notably true of the sex and family relations. We are on firmer ground when we consider the effects of primitive solidarity on sympathetic behavior and feelings. Work, warfare, and political conditions are also causes of special virtues which are well outlined. The cause of the differentiation of law from custom was primarily the regulation of possession. The clear separation of law with its sphere of customs especially condemned was a step toward the differentiation of the ethical, which is in essence a separation of the more internal from the more external.

The patriarchal society had of course an especially strong effect on sex and family virtues. The good effects are obvious and often dwelt upon. The evil effects are given by Bergemann a fuller statement than is usual. Not only the extreme results of the subjection of women, as found in polygamy, concubinage, and similar degrading relations, but the virtues most highly esteemed even in modern society show the effect of the patriarchal regime. The sphere of woman's excellence is still regarded as determined by what may be called